

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NEA-10 NSAE-00
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SUBJECT: PRIMIN ADDRESSES ECONOMIC THEMES

SUMMARY. PRIMIN BROKE LITTLE NEW GROUND IN ADDRESS TO
YOMIURI ECONOMIC FORUM, BUT HE DID HAIL RECENT US-JAPAN
TRADE AGREEMENT AS IMPORTANT ACHIEVEMENT FOR BOTH NATIONS
AND UNDERScoreD JAPAN'S RESPONSIBILITIES TO INTERNATIONAL
ECONOMIC ORDER. THESE INCLUDED EXPANSION OF JAPANESE
IMPORTS, REDUCTION OF JAPAN'S BALANCE OF PAYMENTS SURPLUS,
ACTIVE AND POSITIVE ROLE IN GATT TOKYO ROUND AND MORE AID
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TO LDCS. END SUMMARY

1. IN ADDRESS TO YOMIURI INTERNATIONAL ECONOMIC SOCIETY
JAN. 17, PRIMIN FUKUDA SAID THAT, ALTHOUGH JAPAN CANNOT MAKE
MILITARY CONTRIBUTION TO INTERNATIONAL PEACE AND STABILITY, IT
MUST PLAY IMPORTANT ECONOMIC ROLE. DISCUSSING ANALOGY TO PRO-
TECTIONIST DEVELOPMENTS OF 1930'S, PRIMIN SAID WE CAN AND MUST

TALK OUT OUR DIFFERENCES TO AVOID ECONOMIC CONFUSION AND SOCIAL UNREST. AS AN EXAMPLE HE CITED RECENT AGREEMENT ON US-JAPAN TRADE DIFFERENCES WHICH, HE SAID, WAS IMPORTANT ACHIEVEMENT FOR BOTH NATIONS. SPELLING OUT JAPAN'S INTERNATIONAL ECONOMIC ROLE, FUKUDA CITED NEED TO EXPAND IMPORTS, REDUCE PAYMENTS SURPLUS, PUSH GATT TOKYO ROUND AND UP AID TO LDCS.

2. TURNING TO DOMESTIC ECONOMY, FUKUDA SAID 1978, TOO, WOULD BE "YEAR OF ECONOMICS," AIMED AT STABLE JAPANESE ECONOMY. HE CONTINUED THAT EXPORTS CANNOT LEAD ECONOMY AS THEY DID IN PAST -- NOR SHOULD THEY -- AND NOTED THAT PRESENT SURPLUS CAPACITY AND UNUSUAL BUDGET DEFICITS LIMIT POSSIBLE INVESTMENT AND GOVERNMENT EXPENDITURES. KEY TO STABLE DOMESTIC ECONOMY, HE ASSERTED, WAS RESTRUCTURING OF DEPRESSED INDUSTRIAL SECTORS, MAINLY TASK OF PRIVATE INDUSTRY. AS GOALS FOR 1978, FUKUDA CITED 7 PERCENT GROWTH TARGET AND SUBSTANTIAL REDUCTION OF CURRENT ACCOUNT BALANCE OF PAYMENTS SURPLUS. HE NOTED WITH PLEASURE THAT RETENTION OF CONSERVATIVE MAJORITY IN JULY 1977 UPPER HOUSE ELECTION, CONTRARY TO EXPECTATIONS, HAD GIVEN JAPAN POLITICAL STABILITY TO ADDRESS PRESSING DOMESTIC AND INTERNATIONAL ECONOMIC ISSUES.

3. IN RESPONSE TO QUESTIONS, FUKUDA SAID:
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-- HE HOPED TO OVERHAUL CURRENT FOREIGN EXCHANGE LAW TO MAKE CONTROLS EXCEPTION, RATHER THAN RULE. IT WOULD TAKE TIME, HOWEVER, FOR NECESSARY STUDY AND INTRODUCTION OF NEW LEGISLATION. IN MEANTIME, JAPAN WOULD DO WHAT IT COULD WITHIN EXISTING LEGISLATION.

-- 7 PERCENT GROWTH WAS A POLICY TARGET, AND, ALTHOUGH NOT A PROMISE OR COMMITMENT, JAPAN WOULD EXERT ALL EFFORTS TO ACHIEVE IT. FUKUDA SUGGESTED THAT PRIVATE ECONOMIC RESEARCH ORGANIZATIONS, WHICH ARE PESSIMISTIC ABOUT ACHIEVING 7 PERCENT, DO NOT FULLY APPRECIATE LIKELY EXTENT OF 1978 INVESTMENT.

-- JAPAN'S INEFFICIENT DISTRIBUTION SYSTEM RAISES PRICES NOT ONLY OF IMPORTS BUT ALSO OF DOMESTIC PRODUCTS. BECAUSE MANY SMALL BUSINESSMEN ARE INVOLVED, HOWEVER, STREAMLINING IS DIFFICULT AND TIME CONSUMING.

-- CONSUMPTION WILL INCREASE WHEN BUSINESS PICKS UP AND TAKE-HOME PAY INCREASES. ONE TRILLION YEN TAX CUT WOULD MEAN APPROXIMATELY THREE THOUSAND YEN (\$12.50) PER

HOUSEHOLD AND WOULD NOT BE IMPORTANT ECONOMIC
STIMULUS. BETTER WAY TO IMPROVE ECONOMY WAS THROUGH
GOVERNMENT EXPENDITURES FOR SCHOOLS, HOSPITALS,
SEWERS, ETC. WHICH WOULD BOTH STIMULATE BUSINESS
AND INCREASE SOCIAL CAPITAL.

-- GRADUAL CURRENCY APPRECIATION IS SIGN OF RESPECT
FOREIGNERS PAY AN ECONOMY, BUT SHARP APPRECIATION
OF YEN SINCE LAST SEPTEMBER, WITH MANY SPECULATIVE ELEMENTS,
HAS NOT BEEN SOUND.

-- HE WOULD LIKE TO MEEET THE PRESIDENT TO DISCUSS JOINT
APPROACHES TO WORLD ECONOMIC ISSUES, BUT ACCOUNTS
INDICATING HE WISHED TO ADDRESS JOINT SESSION OF
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CONGRESS WERE EXAMPLES OF "IMAGINATIVE REPORTING".

4. COMMENT: PRIMIN FUKUDA BROKE LITTLE NEW GROUND
IN EITHER PREPARED SPEECH OR QUESTION AND ANSWER
SESSION. HIS STRESS ON JAPAN'S INTERNATIONAL ECONOMIC
RESPONSIBILITIES, HOWEVER, AND HIS STATED INTENTION TO
MEET THEM WERE STRAIGHTFORWARD AND REASSURING.
SHERMAN

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